

TECO Electric & Machinery Co., Ltd.
Minutes of the 2023 Annual General Shareholders' Meeting
(Translation)

Time: 09:00am, May 24, 2023 (Wednesday)

Place: No. 11, An Dong Road, Industrial Zone, Chung-Li, Taoyuan City

Shares represented at the meeting:

The total issued shares of the Company is 2,138,796,616, net of shares without voting rights 22,365,800, the total number of valid issued shares of the Company is 2,116,430,816. A total of 1,821,378,715 valid issued shares of the Company were presented at the above meeting (including a total of 1,250,493,524 shares were presented by electronic voting), representing 86.05% of the above total valid issued shares of the Company.

Chairman: Chwen-Jy Chiu (Chairlady)

Attendance: Wei-Chi Liu (Independent Director, member of Audit Committee), Li-Chen Lin (Independent Director, member of Audit Committee), Hsieh-Hsing Huang (Independent Director, member of Audit Committee), Li-Chong Huang (Director), Show-Shoun Chou (Director), Peng-Ching Cheng (Director), Jack Hou (Director),

Professional Consultant:

Attorney: Mr. Steven Chen & Ms. Lynn Lin

Certificated Public Accountant: Yu-Lung Wu & Chien-Hung Chou

Recorder: Doreen Lin

1. Meeting called to order

As the share of shareholders and representatives exceeded quorum, chairman called the meeting to order.

2. Address by the Chairlady

Ladies and gentlemen, thank you for attending the shareholders' meeting. Although the operating environment was not particularly good last year, TECO's revenue grew by 13.8%, operating profit grew by 34.9%, and revenue and profits in the first quarter of this year both hit new highs, with EPS of 0.78, which is

gratifying. Reviewing the past year, TECO team has been working hard and made many achievements in the energy transformation environment, such as solar energy construction and monitoring, energy storage system construction, Internet Data Center construction, offshore wind power substation project, high efficiency motor products, EV-related production volume and E-Skid in North America. Although there are still many uncertainties in the macro environment this year, TECO Group is still optimistic about the North American market, and there are opportunities of NT\$100 billion from “Grid Resilience Strengthening Construction Plan” domestically. Based on the above business opportunities, new products will be continuously launched for energy saving and emission reduction. Therefore, the business prospects are quite optimistic, and we look forward to shareholders’ continued support for the team and also spur us to create better results together. The factories in India and Mexico will gradually join the production in the second half of the year to further guarantee the resilience of supply chain. That will be beneficial to the company’s long-term stability in revenue and profits.

3. Report

3.1 Business Report for 2022

Please see attachment 1

3.2 Inspection Report of Audit Committee for 2022

Please see attachment 2

3.3 Remuneration Distribution to Employees and Directors for 2022

Explanatory note: In 2022, income before tax is NT\$ 4,116,341 thousand, and remuneration to employees is NT\$ 282,848 thousand, whilst remuneration to directors is NT\$ 79,526 thousand. The remuneration would be distributed in cash.

3.4 Distribution of Cash Dividends from Profits in 2022

Please see attachment 3

【Shareholders' Questions and Company's responses】

- A. Shareholder account number 00565116 has spoken twice to thank the management team and also ask about the direction of TECO's human resources management to promote the company's long-term development in the future, as well as Intelligence Energy Business Group.

The president designated by the chairlady:

TECO is one of the few multinational traditions in Taiwan, so the Company should consider both ways of internationalizing talents and how internationalization creates talents. In terms of talent cultivation, in addition to internal program, we must also introduce more resources from the outside and introduce more talents in various regions and fields. In Intelligence Energy, besides the originally focused large-scale projects, TECO established "Innovative Energy Storage Operation & Development Division" this January to develop TECO's overall and systematic capabilities, gradually moving toward virtual power grids, learning operations and energy management. We also acquired "Taipeng Energy", hoping to deploy in new energy and move towards actual operations and management.

- B. Shareholder account number 00130645 briefly expressed his thanks to the management team also reminded that the Company shall be cautious about business layout in North America (Mexico) and India because of the difference in politics, economy and culture.

Chairlady: Shareholders could feel comfortable because TECO has been operating in the North American market for 50 years and building a factory in Mexico is mainly to supply the US and Canadian markets. It's just transfer of production base. In Indian market, TECO also has 10 years of operating experience via Singaporean subsidiary. However, TECO will be more cautious in India due to the differences in language, culture and laws in different areas.

- C. After the Chairlady inquired, the shareholders had no other questions and the above reports were all reviewed.

4. Ratification

4.1 Business Report and Financial Statements for 2022 (proposed by the board of directors)

Explanatory note:

1. The Board of Directors entrusted certified public accountants Wu, Yu-Lung and Chou, Chien-Hung with Pricewaterhouse Coopers to audit and certify Financial Statements (includes Consolidated Financial Statements) for 2022, and submitted with Business Report to Audit Committee for review and issuance of Inspection Report on record.

2. Please see attachment 1 for the business report and attachment 2 for the Auditors' Report and the Financial Statements.

【Shareholders' Questions and Company's responses】

Shareholder account number 00130645 made a speech focusing on the adjustment of income tax in financial statements and revenue (decrease in equity).

The chairlady and designated accountant:

Decrease in equity was mainly due to price changes of the stocks held in Tongan Investment's accounts while complying to IFRS. For income tax, in addition to being assessed based on pre-tax income, there is some other factors without impact on income tax, such as domestic dividend income, domestic stock price fluctuations and investment gains or losses recognized under the equity method. After deducting the above three items, the consolidated effective income tax rate is approximately 27%, and the effective tax rate of the Taiwanese parent company is approximately 19%.

Resolution:

After being voted by a total of 1,813,737,440 shares presented (net of shares without voting rights 7,641,275), a total of 1,724,885,922 shares voted "for" (including a total of 1,172,799,635 shares were presented by electronic voting), a total of 79,725 shares voted "against" (including a total of 79,725 shares were presented by electronic voting) and a total of 88,771,793 shares voted "abstain" (including a total of 76,213,659 shares were presented by electronic voting). The percentage of approval represented 95.10% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

4.2 Distribution of 2022 profits (proposed by the board of directors)

Explanatory note:

1. Distribution of 2022 profits was resolved by the Board of Directors and audited by Audit Committee.
2. Please see attachment 3 for the detailed profit distribution plan.

Resolution:

After being voted by a total of 1,813,737,440 shares presented (net of shares without voting rights 7,641,275), a total of 1,727,254,231 shares voted "for" (including a total of 1,175,167,674 shares were presented by electronic voting), a total of 45,413 shares voted "against" (including a total of 45,413 shares were presented by electronic voting) and a total of 86,437,796 shares voted "abstain" (including a total of 73,879,662 shares were presented by electronic voting). The percentage of approval represented 95.23% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

5. Discussion

5.1 Amendment to Articles of Incorporation (proposed by the board of directors)

Explanatory note:

1. In order to meet the needs of the Energy Bureau of the Ministry of Economic Affairs for future energy-saving business, strengthen the company's ability to compete for energy-saving business, and apply to join the " Taiwan Energy Service Association ", etc., it is planned to add "IG03010 Energy Technical Services " as the company's business item.
2. For the comparison between the revision and the original, as well as current version, please refer attachment 4.

Resolution:

After being voted by a total of 1,813,737,440 shares presented (net of shares without voting rights 7,641,275), a total of 1,713,710,676 shares voted “for” (including a total of 1,161,624,119 shares were presented by electronic voting), a total of 76,802 shares voted “against” (including a total of 76,802 shares were presented by electronic voting) and a total of 99,949,962 shares voted “abstain” (including a total of 87,391,828 shares were presented by electronic voting). The percentage of approval represented 94.48% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

5.2 Plan to remove the restrictions on non-competition obligation of Board of Directors (proposed by the board of directors)

Explanatory note:

1. According to article 209-1 of the Company Act, the company proposes to remove the restrictions on non-competition obligation of current directors of the Board.
2. For the details of removal of the restrictions on non-competition obligation of Board of Directors, please refer to attachment 5.

Resolution:

After being voted by a total of 1,813,737,440 shares presented (net of shares without voting rights 7,641,275), a total of 1,706,231,143 shares voted “for” (including a total of 1,154,147,586 shares were presented by electronic voting), a total of 7,426,547 shares voted “against” (including a total of 7,423,547 shares were presented by

electronic voting) and a total of 100,079,750 shares voted “abstain” (including a total of 87,521,616 shares were presented by electronic voting). The percentage of approval represented 94.07% of the total voting rights of shareholders in attendance.

The proposal was approved as proposed.

6. Extempore motion(s)

【 Shareholders’ Questions and Company’s responses 】

Shareholder account number 00563376 briefly asked the impact from carbon trading, carbon credit, the virtual power grid plan and the financing problem of HaiLong wind farm project.

The chairlady:

6.1 The company’s current solar installations are all for self-use (energy saving and emission reduction), and it is not yet able to participate in carbon trading but will actively evaluate and plan in the future; the carbon tax part has begun to be implemented this year and included in the KPIs of each business group.

6.2 The virtual power grid is the company’s long-term plan. At this stage, it is based on energy storage and energy creation to accumulate projects and self-built plants to achieve the ultimate goal of future virtual power plant.

6.3 In the HaiLong Wind Farm Financing Case, the Company may face the impact on the second phase of project of NT\$4.5 billion if the financing cannot be obtained smoothly. But it is believed that financing will be obtained as long as the equity issue is solved.

7. Meeting Adjourned: 10:48 AM

Chairman: Chwen-Jy Chiu

Recorder: Doreen Lin

Attachments

Attachment 1: Business Report for 2022

Attachment 2: Inspection Report of Audit Committee for 2022 & Financial Statements and Auditors' Report for 2022

Attachment 3: Distribution of 2022 Profits

Attachment 4: The comparison between the revision and the original of "Articles of Incorporation"

Attachment 5: Details of removal of the restrictions on non-competition obligation of Board of Directors

Business Report

Dear shareholders:

The global economy was confronted with multiple challenges in 2022. It was originally expected to enter the post-epidemic period and will usher in the global economic recovery. However, as the outbreak of the Russia-Ukraine war sparked price hikes of energy, food, and raw materials and impact of China's rigorous lockdown in Q2 on the global supply chain and subsequent rampant infections triggered by abrupt lifting of restrictive measures dampened production and consumption, multiple adverse factors which fueled inflation, leading to accelerated interest-rate hike in the U.S. and Europe, sharp currency devaluation against the greenback, global credit tightening, and financial market fluctuation.

As a critical component of the global supply chain, Taiwan was faced with demand decline in Europe, the U.S., and China under the global inflationary pressure, leading to economic downturn in Q4, following growth in the first three quarters. Meanwhile soaring energy prices also sparked investments and demands for energy conservation and green energy in both public and private sectors. With whole-year growth rate reaching 2.43%, Taiwan was still among best performing economies in the world.

A. Review of 2022 business performance

a. Results from implementing 2022 strategic development plan

The company focuses on the three major fields of electromechanical system, energy, and air conditioning: 1. For “Green Mechatronics”, the company possesses the two core capabilities of energy-conservation renovation and EV’s powertrain, enabling development of high-performance products and solutions for industrial and electric vehicle; 2. For “Intelligence Energy”, the company focuses on renewable energy and IDC(Internet Data Center) engineering project; 3. For “Air & Intelligent Life”, the company's products boasts Internet access, monitoring software, and energy saving.

In 2022, the company reaped abundant results in green-energy engineering projects,

including turnkey engineering for Hailong onshore step-down substations, boosting the company champion of onshore substation engineering for offshore wind-power. In “Intelligence Energy”, the company focused on renewable energy-related engineering, for which it has secured orders worth over NT\$11 billion, as well as orders for various IDC engineering projects, plus plan to tap turnkey IDC (General Contract) engineering market in Southeast Asia. In solar power, TECO has built its own facilities totaling 10.4 MW in capacity, with total orders exceeding 15 MW in scale. In energy storage, in addition to materialization of Power conditioning system (PCS) indigenous production, backed by its abundant track record for energy-storage systems and technological team for EMS integration, it has obtained orders for constructing the energy storage facilities of state-run TaiPower Company and private sector, with the scale of orders having topped 130 MW.

In EV's powertrain, besides the installation of dedicated motor production lines in Taiwan and Wuxi, China, a new Indian factory is scheduled for completion in Q2, 2023 and enters into trial production. Meanwhile after the passage of whole-vehicle test, TPower + 250 kW powertrain is slated for mass production in 2023. Under the "e-bus DMIT pilot plan" of the Ministry of Transportation and Communications, the powertrain will be adopted by major Taiwanese e-bus makers. Several domestic automakers have installed TECO's TPower 130 kW powertrain in their logistics e-trucks, scheduled for mass production in Q2, 2023, following completion of prototype and performance test. The company has also set sights on growing e-commercial vehicle markets in North America and India.

As for digital transformation, backed by the foundation of group's digital warehousing, the company has been promoting factory's war room, for visualized monitoring and management of changes in such indicators as production costs, delivery, and inventory, in addition of integration of operation data of affiliates worldwide for firm grip on their key operational information and rapid response to market changes, thereby forging a resilient management strength. Meanwhile, for information security, introduce such mechanisms as intrusion prevention system (IPS), malicious-email screening, and data backup, so as to minimize management risk.

b. R&D achievements and cutting-edge product development

In 2022, the company reaped abundant R&D results, as evidenced by 12 items winning 31st Taiwan Excellence Awards, including silver award for "Intelligent Mobile Collaborative Robot". The company successfully developed cutting-edge products in the fields of energy conservation, emission reduction, intelligence and automation, including "high-power motor-gearbox integrated powertrain" for application in e-bus and e-truck; "large bipolar rigid-axis inverter duty smart motor", "IE5 ultra-high efficiency energy-saving permanent-magnet motor", "ultra-high performance smart drive control system for cooling tower", "high power-density energy-saving matrix inverter", and "smart logistics solution: smart precision positioning and navigational system for forklift" for industrial application, etc.

c. 2022 financial status, implementation of business plan and profit analysis

1. Consolidated Financial Statements

Unit: NT\$1,000

	2022	2021	Growth rate
Sales revenue	58,315,216	51,248,387	13.8%
Operating profit	5,073,654	3,760,718	34.9%
Profit for the period	3,992,010	5,502,191	-27.4%

The company's Sales revenue grew 13.8% in 2022, thanks mainly to the growth of electromechanical products and engineering projects. Electromechanical products scored 14.7% growth, due to sharp sales growth of affiliates, resulting from recovering demands in North America and Europe and booming business of high-efficiency energy-saving motors, inverters, and energy-saving systems, sparked by carbon neutrality and green energy policy of various governments. Meanwhile, revenue of engineering projects and equipment jumped 43.1%, due to successive execution of various engineering projects related to renewable energy, energy storage, and IDC. Revenue of home appliances and air conditioners remained flat for the second year in a row.

Operating profit rose 34.9%, thanks mainly to the contribution of electromechanical products, whose prices were hiked, price drop of commodity and NT dollar's depreciation against the U.S. dollar in the second half, and result of cost-reduction effort, and effective control of operating expenses.

Profit for the period dropped 27.4%, due mainly to valuation change of financial assets in Non-operating income and expenses.

2. Parent Company Only

Unit: NT\$1,000

	2022	2021	Growth rate
Sales revenue	27,229,403	23,258,398	17.1%
Operating profit	1,845,542	1,357,228	36.0%
Profit for the year	3,457,667	5,013,134	-31.0%

Sales revenue upped 17.1%, as revenue from electromechanical products advanced 12%, thanks to shipment to North America and Europe expanded in both volume and value, and revenue from engineering projects revenue soared 49%, thanks to successive execution of engineering projects related to renewable energy, energy storage, and IDC.

Operating profit leapt 36%, thanks mainly to price hikes of electromechanical products, and price drop of commodity and NT dollar's depreciation in the second half, plus higher production efficiency resulting from automated and smart production, adjustment of product mix, cost-cutting measures boosting gross margin, and significant effect of operating-expense control during the pandemic.

Profit for the year declined 31%, mainly thanks to valuation change of financial assets in Non-operating income and expenses and valuation loss of financial assets held by subsidiaries under equity method.

d. Financial strategy and results

With main businesses focusing on R&D, production, and sales of industrial products, the company belongs to mature industry and thus has embraced the principle of stable operation in financial strategy for a long time. Based on general consideration of business plan, capital expenditure, need of working capital, and returns for shareholders, the company plans cash flow in a precision manner and proper financial structure every year.

Table 1

Year	Profit for the period (NT\$ mm)	Net cash flow adequacy ratio %	Current ratio %	Debt ratio %
2020	3,811	134.73	233.41	36.01
2021	5,502	126.64	213.81	29.98
2022	3,992	117.78	222.11	31.82

Thanks to its stable cash flows from operating activities, as well as stable and sustainable operating strategy, Taiwan Ratings Corporation granted the company "twA" (Stable) credit rating starting 2012, enabling the company to secure financing at lower interest rates, slashing financing cost. Taiwan Rating has upgraded the credit rating to "twA+" (Stable) since 2015, highlighting the company business credit standing and increasing its bargain power and flexibility of funding raising.

B. Summary of 2023 business plan

Given the adverse factors of global inflation, slackening demands, and inventory adjustment for the post-pandemic global economy, the Cabinet-level Directorate General of Budget, Accounting, and Statistics predicts that Taiwan's economy will grow 2.12% in 2023. To maintain revenue growth, the company will take advantage of demands concerning energy conservation and carbon abatement and tap new business opportunities related to energy transformation and electrification.

Key points of 2023 operating strategy and business growth plan

a. Growth plan of existing business

In Green Mechatronic Solution, sales of inverters and energy conservation solutions are expected to benefit from production of shale-oil, electrification of conveyance equipment and waste-heat recovery, sparked by various countries' carbon neutrality policy, including the U.S., which has pledged to reach the goal by 2050. Taiwan also aims to attain net zero emission by 2050, a goal expected to spur industrial investments in energy conservation, energy storage, integrated smart system. With motor being an energy-intensive equipment, TECO has been offering end customers with overall energy-saving and carbon-abatement renovation plan and feasible solutions, an effort which has made major inroads into the Taiwanese and Chinese

markets, especially in high carbon-emission fields, especially in iron & steel, papermaking and petrochemical industry. In the U.S. market, in addition to electrification of step-up stations for oil & gas pipelines and cogeneration systems for iron & steel and petrochemical industry, the company has also a firm grip on business opportunities related to E-Skid, green transportation, and hydrogen energy to boost revenue.

In Intelligence Energy, given popularity of 5G/big data/cloud-end services, TECO, backed by its outstanding technology, expects to continue enjoying robust growth in IDC engineering business, both on the domestic front and abroad, aiming to double orders from new customers/markets in 2023, on top of its total order intake exceeding 170 MW. In 2023, the company plans to further tap engineering opportunities of offshore substations for offshore wind farm, as well as related demands for gas insulated switchgear(GIS), spare generators, and offshore and onshore "E-house" solutions, the latest in collaboration with ABB. The company also expects to score robust growth in order intake and revenue related to renewable energy and energy storage, as the Taiwanese aims to boost the share of renewable energy in power generation to 20% by 2025, up from 2022's 8.6%, the latter representing 36% growth.

Air and Intelligent Life business group will continue focusing on provision of full-field smart air conditioning and energy management, contributing to the materialization of new life of ESG carbon-neutrality, and rollout of variable-frequency freezers for use by food factory and home-delivery low-temperature logistics plants. In technology strategy, it will provide AI freezing air-conditioning energy-conserving system, upgrade food safety and flexible cooling-power maneuvering with refrigerant quantum technology, and roll out changeable multi-temperature layer refrigerated chamber, in order to bolster revenue growth.

b. Strategic development plan

In line with its vision of "energy conservation, emission reduction, intelligence, and automation," the company's development strategy will center on the three major axes of green-energy creation and storage, foray into potential markets connected with the government's New Southbound Policy, and establishment of North American and Indian supply chains, to inject fresh momentum for corporate growth.

1. Energy creation and storage: Develop technology for producing core equipment of PV power devices and energy storage facilities, as a prelude to solar-plus-storage, then combine of energy management system and central-control information exchange platform, eventually develop into a comprehensive virtual green-power operator.
2. New southbound market: Focus on promotion of optimized product mix covering power, mining, e-vehicle, and HVAC, in addition to deployment in local sales services and supply chain.
3. Establishment of North American and Indian supply chain: Plan to set up motor factories in India and Mexico in 2023, to augment delivery and cost competitiveness.

Meanwhile in strategic development of technology, the company plans to develop PCS (power conditioning system) and high-voltage charging technology, as an offshoot of medium-voltage inverter, in 2023.

In terms of digital transformation, to intensify global integrated operation, it plans to introduce TOS/EQS operating logistics automation system and cloud-end digital collaboration system, for applications in project team collaboration, corporate information entry, and mobile offices in stages to augment productivity. Meanwhile, to intensify innovative AI data applications in design, quotation, and supply chain, to quicken production-sales linkage, shorten cycle time, and raise delivery punctuality.

c. Sustainable development

The company has been recognized by international sustainability evaluation institutions in three consecutive years and included in DJSI Emerging Markets Index and S&P Global Sustainability Yearbook, thanks to its outstanding performance in innovative management, talent cultivation, and supply chain management, the only enterprise included in the Electrical Components & Equipment category of DJSI Emerging Markets Index.

Under the pledge of "10-year 50% emission reduction," TECO has aimed to halve emission by 2030, according to which it will kick off global production base emission

reduction plan this year, including inauguration of expanding PV power devices at its factory premises worldwide, so as to enhance the group's share of renewable-energy consumption, on top of establishment of sustainable supply chain, via assistance for smart and medium enterprises to conduct greenhouse-gas inventory and emission reduction. The company will launch internal carbon price system this year, in the hope of spurring employees to actively carry out carbon abatement plan and imprint net zero emission concept in their minds deeply. In social engagement, to have the concept of energy conservation and emission reduction to take root in our society, the company holds "Green Innovation Competition" for high and elementary school students, in the hope of implanting earth sustainability idea among them. The company has also organized International Competition for Net Zero Emission Technology" for college students, encouraging engagement in R&D on emission reduction technology and passing on the mission of net zero emission sustainability. Moreover, the company holds "TECO Award" for outstanding Taiwan figures in science/technology and humanity, for their contribution to build a progressive society with equal emphasis on both fields.

In conclusion, the company will continue to uphold the concept of sustainable operations and implement corporate governance standards to create a sustainable working environment for employees, provide services in line with ESG value to customers, and bring the best interests to shareholders

Chairman: Sophia Chiu

President: Thomas Fann

Accounting chief: Tommy Wu

Attachment 2

Inspection Report of Audit Committee

(This English version is only a translation of the Chinese version.)

The Audit Committee has duly inspected and approved the financial statements for 2022 (including consolidated financial statements), the business report and proposed profit distribution plan prepared and proposed by the Board of Directors, with the financial statements having been audited and certified by Pricewaterhouse Coopers, hereby submit this report pursuant to Article 14 of Securities and Exchange Act and Article 219 of the Company Act.

To

General Shareholders Meeting 2023

TECO Electric & Machinery Co., Ltd

Audit Committee Convener : Wei-Chi Liu

Date: March 15th, 2023

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY FINANCIAL
STATEMENTS AND INDEPENDENT AUDITORS’
REPORT
DECEMBER 31, 2022 AND 2021

For the convenience of readers and for information purpose only, the auditors’ report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors’ report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Opinion

We have audited the accompanying parent company only balance sheets of TECO Electric & Machinery Co., Ltd. as at December 31, 2022 and 2021, and the related parent company only statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the parent company only financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors (please refer to the Other matter section), the parent company only financial statements present fairly, in all material respects, the financial position of TECO Electric & Machinery Co., Ltd. as of December 31, 2022 and 2021, and its financial performance and cash flows for the years then ended, in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountants of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – Retrospective restatement of the parent company only financial statements for the year ended December 31, 2021

On March 16, 2022, we have audited and expressed an unqualified opinion plus the Other matter section on the parent company only financial statements of Teco Electric & Machinery Co., Ltd. as at and for the year ended December 31, 2021. As described in Notes 4(33) and 6(30) of the financial statements, the Company engaged in a short-form merger with the subsidiary, Teco Smart Technologies Co., Ltd., on October 1, 2022. In accordance with the Accounting Research and Development Foundation Interpretation 101-301, the subsidiary was considered as consolidated at the beginning and shall retrospectively restate the parent company only financial statements for the year ended December 31, 2021. Our opinion is not modified in respect of the Company's restated parent company only financial statements for the year ended December 31, 2021.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the parent company only financial statements. These matters were addressed in the context of our audit of the parent company only financial statements as a whole and, in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Company's 2022 financial statements are stated as follows:

Revenue recognition of export sales of Green Mechatronic Solution Business Group

Description

Refer to Note 4(30) of the parent company only financial statements for the accounting policies on revenue recognition. The Green Mechatronic Solution Business Group handles the manufacturing and sales of various machinery, equipment and motors. Aside from domestic sales in Taiwan, the customers of Green Mechatronic Solution Business Group are from China, America, Southeast Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue recognition of export sales of Green Mechatronic Solution Business Group as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of Green Mechatronic Solution Business Group to assess the effectiveness of the internal control process.
2. Validated selected samples of export sales revenue transactions of Green Mechatronic Solution Business Group to confirm the existence of export sales revenue transactions.

Other matter – Reference to the audits of other auditors

As described in Note 6(6) of the parent company only financial statements, we did not audit the financial statements of certain investee accounted for under the equity method. Those financial statements were audited by other auditors, whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included in the financial statements and the information on the investee disclosed in Note 13 was based solely on the reports of the other auditors. The investments accounted for under the equity method amounted to NT\$4,141,796 thousand and NT\$3,875,845 thousand, both constituting 4% of the related total assets as of December 31, 2022 and 2021, and the comprehensive income amounting to NT\$245,915 thousand and NT\$256,818 thousand, constituting (4%) and 1% of the total comprehensive income for the years then ended, respectively.

Responsibilities of management and those charged with governance for the parent company only financial statements

Management is responsible for the preparation and fair presentation of the parent company only financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and for such internal control as management determines is necessary to enable the preparation of parent company only financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company only financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Company's financial reporting process.

Auditors' responsibilities for the audit of the parent company only financial statements

Our objectives are to obtain reasonable assurance about whether the parent company only financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these parent company only financial statements.

As part of an audit in accordance with the Standards on Auditing of Republic of China, we exercise professional judgement and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the parent company only financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the parent company only financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the parent company only financial statements, including the disclosures, and whether the parent company only financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the parent company only financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the parent company only financial statements of the current period and are therefore the key audit matters. We describe these matters in our report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Yu-Lung

Chou, Chien-Hung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2023

The accompanying parent company only financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying parent company only financial statements and independent auditors' report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

			December 31, 2022		December 31, 2021	
					(Restated)	
Assets		Notes	AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 804,916	1	\$ 253,997	-
1140	Current contract assets		2,112,996	2	2,322,233	2
1150	Notes receivable, net	6(4)	269,696	-	234,769	
1160	Notes receivable - related parties	7	573,028	1	380,157	-
1170	Accounts receivable, net	6(4)	1,976,266	2	2,541,096	2
1180	Accounts receivable - related parties	7	1,578,608	2	1,566,175	2
1200	Other receivables		96,669	-	103,827	-
1210	Other receivables - related parties	6(6) and 7	550,186	1	606,262	1
130X	Inventories, net	6(5)	3,396,654	3	3,473,507	3
1410	Prepayments		86,056	-	54,990	-
1470	Other current assets	6(1) and 8	476,536	-	987,070	1
11XX	Total current assets		11,921,611	12	12,524,083	11
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	2,155,192	2	2,322,450	2
1517	Non-current financial assets at fair value through other comprehensive income	6(3)	16,091,157	16	11,759,402	11
1550	Investments accounted for under equity method	6(6)	63,565,377	64	77,120,718	70
1600	Property, plant and equipment, net	6(7) and 7	2,724,752	3	3,089,295	3
1755	Right-of-use assets	6(8) and 7	121,532	-	38,076	-
1760	Investment property, net	6(9)	2,365,935	2	2,103,867	2
1780	Intangible assets	6(10)	27,189	-	19	-
1840	Deferred income tax assets	6(27)	573,483	1	892,486	1
1900	Other non-current assets	6(1)(11) and 8	132,280	-	483,320	-
15XX	Total non-current assets		87,756,897	88	97,809,633	89
1XXX	Total assets		\$ 99,678,508	100	\$ 110,333,716	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Liabilities and Equity			December 31, 2022		December 31, 2021		
					(Restated)		
			AMOUNT	%	AMOUNT	%	
Current liabilities							
2100	Short-term borrowings	6(12)	\$	-	-	\$ 545,307	1
2120	Current financial liabilities at fair value through profit or loss	6(13)		3,845	-	-	-
2130	Current contract liabilities	6(21)		1,145,375	1	979,210	1
2150	Notes payable			57,919	-	56,069	
2160	Notes payable - related parties	7		64,712	-	76,417	-
2170	Accounts payable			4,180,733	4	3,989,754	4
2180	Accounts payable - related parties	7		1,347,033	2	1,425,978	1
2200	Other payables			3,001,050	3	2,888,766	3
2220	Other payables - related parties	7		168,513	-	180,182	-
2230	Current income tax liabilities	6(27)		408,383	1	266,473	-
2250	Provisions for liabilities - current			92,691	-	105,744	-
2280	Current lease liabilities	6(8) and 7		91,479	-	11,532	-
2320	Long-term liabilities, current portion	6(14)		-	-	1,000,000	1
2399	Other current liabilities, others			193,896	-	155,316	-
21XX	Total current liabilities			10,755,629	11	11,680,748	11
Non-current liabilities							
2530	Corporate bonds payable	6(14)		5,000,000	5	5,000,000	4
2540	Long-term borrowings	6(15)		1,350,000	2	2,000,000	2
2550	Provisions for liabilities - non-current			106,678	-	-	-
2570	Deferred income tax liabilities	6(27)		1,234,836	1	1,087,468	1
2580	Non-current lease liabilities	6(8) and 7		8,467	-	1,294	-
2600	Other non-current liabilities	6(16)		1,197,964	1	1,350,443	1
25XX	Total non-current liabilities			8,897,945	9	9,439,205	8
2XXX	Total liabilities			19,653,574	20	21,119,953	19
Equity							
	Share capital	6(17)					
3110	Common stock			21,387,966	21	21,387,966	20
	Capital surplus	6(18)					
3200	Capital surplus			9,575,822	9	9,529,520	8
	Retained earnings	6(19)					
3310	Legal reserve			7,899,057	8	7,374,048	7
3320	Special reserve			3,640,779	4	3,640,779	3
3350	Unappropriated retained earnings			19,680,601	20	19,712,565	18
	Other equity interest	6(20)					
3400	Other equity interest			18,352,419	19	28,080,595	25
3500	Treasury stocks	6(6)(17)	(	511,710)	(1)	(511,710)	-
3XXX	Total equity			80,024,934	80	89,213,763	81
	Significant contingent liabilities and unrecognized contract commitments	9					
	Significant events after the balance sheet date	11					
3X2X	Total liabilities and equity		\$	99,678,508	100	\$ 110,333,716	100

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

			Year ended December 31			
			2022		2021	
					(Restated)	
Items	Notes		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(21) and 7		\$ 27,229,403	100	\$ 23,258,398	100
5000 Operating costs	6(5)(16)(26) and 7	(	22,204,807)	(82)	(18,971,202)	(81)
5900 Net operating margin			5,024,596	18	4,287,196	19
5910 Unrealized profit from sales	7	(	411,132)	(1)	(375,720)	(2)
5920 Realized profit from sales			375,720	1	450,133	2
5950 Net operating margin			4,989,184	18	4,361,609	19
Operating expenses	6(16)(26), 7 and 12(2)					
6100 Selling expenses		(	2,006,530)	(7)	(1,882,448)	(8)
6200 General and administrative expenses		(	595,895)	(2)	(561,417)	(2)
6300 Research and development expenses		(	542,554)	(2)	(567,739)	(3)
6450 Expected credit impairment losses			1,337	-	7,223	-
6000 Total operating expenses		(	3,143,642)	(11)	(3,004,381)	(13)
6900 Operating profit			1,845,542	7	1,357,228	6
Non-operating income and expenses						
7100 Interest income	6(22) and 7		9,890	-	2,848	-
7010 Other income	6(3)(9)(23) and 7		991,812	3	919,830	4
7020 Other gains and losses	6(2)(13)(24) and 7	(	481,909)	(2)	(261,124)	(1)
7050 Finance costs	6(8)(25) and 7	(	73,251)	-	(71,014)	-
7070 Share of profit of subsidiary, associates and joint ventures accounted for under equity method	6(6)		1,824,257	7	3,407,981	14
7000 Total non-operating income and expenses			2,270,799	8	3,998,521	17
7900 Profit before income tax			4,116,341	15	5,355,749	23
7950 Income tax expense	6(27)	(	658,674)	(2)	(342,615)	(1)
8200 Profit for the year		\$	3,457,667	13	\$ 5,013,134	22
Other comprehensive income						
Other comprehensive income that will not be reclassified to profit or loss						
8311 Other comprehensive income (loss), before tax, actuarial losses on defined benefit plans	6(16)	\$	56,332	-	(\$ 20,206)	-
8316 Unrealised gains and losses on valuation of investments measured at fair value through other comprehensive income	6(3)(20)		4,190,884	15	1,304,003	5
8330 Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(	15,632,304)	(57)	(20,709,937)	(89)
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(	11,385,088)	(42)	(21,993,734)	(94)
Other comprehensive income (loss) that will be reclassified to profit or loss						
8361 Currency translation differences of foreign operations	6(20)		1,910,986	7	(1,159,046)	(5)
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(20)(27)	(	331,321)	(1)	(133,697)	(1)
8360 Components of other comprehensive loss that will be reclassified to profit or loss			1,579,665	6	(1,025,349)	(4)
8300 Other comprehensive (loss) income for the year		(\$	9,805,423)	(36)	(\$ 20,968,385)	(90)
8500 Total comprehensive (loss) income for the year		(\$	6,347,756)	(23)	(\$ 25,981,519)	(112)
Earnings per share (in dollars)	6(28)					
9750 Basic earnings per share		\$	1.64		\$ 2.38	
9850 Diluted earnings per share		\$	1.64		\$ 2.38	

The accompanying notes are an integral part of these parent company only financial statements.

TECO ELECTRIC & MACHINERY CO., LTD.
PARENT COMPANY ONLY STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Notes	Share capital - common stock	Capital surplus	Retained Earnings			Other equity interest		Treasury stocks	Total equity
				Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income		
<u>2021</u>										
Balance at January 1, 2021		\$ 19,676,929	\$ 7,386,901	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,295
Profit for the year		-	-	-	-	5,013,134	-	-	-	5,013,134
Other comprehensive (loss) income for the year	6(20)	-	-	-	-	(33,085)	(1,025,349)	22,026,819	-	20,968,385
Total comprehensive income (loss)		-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519
Appropriations of 2020 earnings	6(19)									
Legal reserve		-	-	349,413	-	(349,413)	-	-	-	-
Cash dividends		-	-	-	-	(2,459,616)	-	-	-	(2,459,616)
Common shares issued for share conversion	6(17)	1,711,037	2,097,884	-	-	-	-	-	-	3,808,921
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	44,735	-	-	-	-	-	-	44,735
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	-	-	-	284,557	-	(284,557)	-	-
Effect of changes in decrease in entities of associates		-	-	-	-	(14,515)	9,909	14,515	-	9,909
Balance at December 31, 2021		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763
<u>2022</u>										
Balance at January 1, 2022		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763
Profit for the year		-	-	-	-	3,457,667	-	-	-	3,457,667
Other comprehensive income (loss) for the year	6(20)	-	-	-	-	66,771	1,579,665	(11,451,859)	-	(9,805,423)
Total comprehensive income (loss)		-	-	-	-	3,524,438	1,579,665	(11,451,859)	-	(6,347,756)
Appropriations of 2021 earnings	6(19)									
Legal reserve		-	-	525,009	-	(525,009)	-	-	-	-
Cash dividends		-	-	-	-	(2,887,375)	-	-	-	(2,887,375)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	46,302	-	-	-	-	-	-	46,302
Disposal of investments in equity instruments at fair value through other comprehensive income	6(20)	-	-	-	-	(144,018)	-	144,018	-	-
Balance at December 31, 2022		\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,601	(\$ 2,453,451)	\$ 20,805,870	(\$ 511,710)	\$ 80,024,934

The accompanying notes are an integral part of these parent company only financial statements.

CASH FLOWS FROM OPERATING ACTIVITIES

Profit before tax		\$	4,116,341	\$	5,355,749
Adjustments					
Adjustments to reconcile profit (loss)					
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(24)		143,577	(	340,478)
Net loss on financial liabilities at fair value through profit or loss	6(13)(24)		17,281		852
Expected credit impairment gain	12(2)	(	1,337 )	(	7,223)
Interest income	6(22)	(	9,890 )	(	2,848)
Interest expense	6(25)		70,880		69,077
Dividend income	6(23)	(	616,443 )	(	499,979)
Impairment loss	6(24)		-		7,388
Loss on disposal of investments	6(24)		-		3,481
Changes in unrealized gain from downstream sales			35,412	(	74,413)
Share of profit of associates and joint ventures accounted for under the equity method	6(6)	(	1,824,257 )	(	3,407,981)
Depreciation, amortization and net gain or loss on disposal of property, plant and equipment, net	6(7)(8)(9)(24)(26)		413,615		424,604
Changes in operating assets and liabilities					
Changes in operating assets					
Current contract assets			209,237	(	1,100,822)
Notes receivable		(	34,927 )	(	104,155)
Notes receivable - related parties		(	192,871 )	(	119,375)
Accounts receivable			568,840	(	434,503)
Accounts receivable - related parties		(	4,984 )	(	210,003)
Other receivables			7,158	(	12,902)
Other receivables - related parties			56,076		9,247
Inventories			76,853	(	620,540)
Prepayments		(	31,066)		31,176
Other current assets		(	77,878)		117,592
Financial assets at fair value through profit or loss - non-current			23,681		185,134
Changes in operating liabilities					
Financial liabilities at fair value through profit or loss - current		(	13,436 )	(	852)
Current contract liabilities			166,165	(	79,719)
Notes payable			1,850		50,042
Notes payable - related parties		(	11,705 )	(	38,790)
Accounts payable			190,979		417,148
Accounts payable - related parties		(	78,945)		542,205
Other payables			139,051		243,080
Other payables - related parties		(	11,669)		1,631
Provisions for liabilities - current		(	13,053)		7,156
Provisions for liabilities - non-current			106,678		-
Other current liabilities			38,580		34,767
Other non-current liabilities		(	104,467 )	(	92,996)
Cash inflow generated from operations			3,355,326		352,750
Interest received	6(22)		9,890		2,848
Dividends received			1,776,932		1,939,580
Payment of interest		(	73,811 )	(	69,259)
Payment of income tax		(	381,714 )	(	203,550)
Net cash flows from operating activities			<u>4,686,623</u>		<u>2,022,369</u>

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in other receivables - related parties - financing	7	\$	-	\$	98,722
Decrease in restricted bank deposit	8		588,412		-
Increase in non-current financial assets at fair value through other comprehensive income		(	140,871)		-
Increase in investments accounted for under equity method		(	118,377 )	(	230,304)
Proceeds from disposal of property, plant and equipment			-		7,214
Acquisition of property, plant and equipment	6(7)(29)	(	225,570 )	(	248,883)
Increase in deferred expenses		(	36,826 )	(	11,869)
(Increase) decrease in refundable deposits		(	7,425)		8,510
Decrease (increase) in bank deposit under the regulation governing the management, utilization, and taxation of repatriated offshore funds	6(11)		361,224	(	191,813)
Dividends received			616,443		499,979
Proceeds from disposal of investments accounted for under the equity method			10,875		5,869
Decrease (increase) in other non-current assets			16,557	(	749)
Net cash flows from (used in) investing activities			<u>1,064,442</u>	(	<u>63,324</u>)

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in short-term loans		(	545,307 )	(	721,853)
Repayment of bonds	6(14)	(	1,000,000)		-
(Decrease) increase in long-term loans		(	650,000)		820,000
Cash dividends paid	6(19)	(	2,887,375 )	(	2,459,616)
Acquisition of intangible assets		(	34,527)		-
Lease liabilities paid		(	82,937 )	(	86,148)
Net cash flows used in financing activities		(	<u>5,200,146</u> )	(	<u>2,447,617</u>)
Net increase (decrease) in cash and cash equivalents			550,919	(	488,572)
Cash and cash equivalents at beginning of year			<u>253,997</u>		<u>742,569</u>
Cash and cash equivalents at end of year		\$	<u>804,916</u>	\$	<u>253,997</u>

**TECO ELECTRIC & MACHINERY CO., LTD.
AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
December 31, 2022 AND 2021**

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

INDEPENDENT AUDITORS' REPORT TRANSLATED FROM CHINESE

To TECO Electric & Machinery Co., Ltd.

Introduction

We have audited the accompanying consolidated balance sheets of TECO Electric & Machinery Co., Ltd. and subsidiaries (the “Group”) as at December 31, 2022 and 2021, and the related consolidated statements of comprehensive income, of changes in equity and of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, based on our audits and the reports of other auditors, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission.

Basis for opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and Standards on Auditing of Republic of China. Our responsibilities under those standards are further described in the Auditors’ responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our

audit of the Group's 2022 consolidated financial statements. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and, in forming our opinion thereon, we thereon, we do not provide a separate opinion on these matters.

Key audit matters for the Group's 2022 consolidated financial statements are stated as follows:

Revenue existence of export sales of green mechatronic solution business group

Description

Refer to Note 4(33) of the consolidated financial statements for the accounting policies on revenue recognition and Note 14 for the segment financial information. The Group disclosed the financial information of green mechatronic solution business group, intelligence energy business group and air and intelligent life business group in the segment financial information. Green mechatronic solution business group handles the manufacturing and sales of various machinery, equipment and motors. The sales revenue of the green mechatronic solution business group amounted to NT\$30,801,040 thousand, representing 53% of the consolidated total sales revenue for the year ended December 31, 2022. Aside from domestic sales in Taiwan, the customers of green mechatronic solution business group are from America, Asia and Europe and the sales terms vary for different customers. Thus, we consider the revenue existence of export sales of green mechatronic solution business group as a key audit matter.

How our audit addressed the matter

We performed the following audit procedures in respect of the above key audit matter:

1. Obtained an understanding of and validated the internal controls over revenue recognition of export sales of green mechatronic solution business group to assess the effectiveness of the internal control process.

2. Validated selected samples of export sales revenue transactions of green mechatronic solution business group to confirm their existence.

Other matter – Reference to the audits of other auditors

As described in Notes 4(3) and 6(7) of the consolidated financial statements, we did not audit the financial statements of certain investments accounted for under the equity method which were audited by other auditors. Therefore, our opinion expressed herein, insofar as it relates to the amounts included in respect of these associates, is based solely on the reports of the other auditors. The balance of these investments accounted for under the equity method amounted to NT\$2,859,697 thousand and NT\$2,597,098 thousand, both constituting 2% of the consolidated total assets as at December 31, 2022 and 2021, respectively, and total operating revenues amounted to NT\$3,163,153 thousand and NT\$2,940,496 thousand, constituting 5% and 6% of consolidated total operating revenues for the years then ended, respectively. The investments accounted for under the equity method amounted to NT\$2,406,380 thousand and NT\$2,377,144 thousand, both constituting 2% of consolidated total assets as of December 31, 2022 and 2021, respectively, the credit balance of investments accounted for under the equity method amounted to NT\$194,811 thousand and NT\$132,837 thousand, both constituting less than 1% of consolidated total assets as of December 31, 2022 and 2021, and the comprehensive income recognized from associates and joint ventures accounted for under the equity method amounted to NT(\$212,320) thousand and NT\$202,511 thousand, constituting (3%) and less than 1% of the consolidated total comprehensive income for the years then ended, respectively.

Other matter –Parent company only financial reports

We have audited and expressed an unqualified opinion with emphasis of matter and other matter section on the parent company only financial statements of TECO Electric & Machinery Co., Ltd. as of and for the years ended December 31, 2022 and 2021.

Responsibilities of management and those charged with governance for the

consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations that came into effect as endorsed by the Financial Supervisory Commission, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the audit committee, are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Standards on Auditing of Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with the Standards on Auditing of Republic of China, we exercise professional judgment and professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the

override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Wu, Yu-Lung

For and on behalf of PricewaterhouseCoopers, Taiwan

March 16, 2023

Chou, Chien-Hung

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying consolidated financial statements and independent auditors' review report are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

As the financial statements are the responsibility of the management, PricewaterhouseCoopers cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Assets		Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
Current assets						
1100	Cash and cash equivalents	6(1) and 8	\$ 21,156,796	17	\$ 17,274,143	13
1110	Current financial assets at fair value through profit or loss	6(2)	31,790	-	2,312,233	2
1120	Current financial assets at fair value through other comprehensive income	6(3)	761,573	1	1,064,454	1
1140	Current contract assets		2,316,064	2	2,319,092	2
1150	Notes receivable, net	6(5) and 8	1,039,556	1	996,956	1
1160	Notes receivable - related parties	7	101	-	4,201	-
1170	Accounts receivable, net	6(5)	10,049,783	8	9,926,625	7
1180	Accounts receivable - related parties	7	301,997	-	274,873	-
1200	Other receivables		326,141	-	420,113	-
1210	Other receivables - related parties	7	86,927	-	118,561	-
130X	Inventories, net	6(6)	12,895,287	10	12,252,098	9
1410	Prepayments		496,418	-	515,811	-
1470	Other current assets	6(1) and 8	854,988	1	1,854,511	1
11XX	Total current assets		50,317,421	40	49,333,671	36
Non-current assets						
1510	Non-current financial assets at fair value through profit or loss	6(2)	3,271,436	3	4,538,374	3
1517	Non-current financial assets at fair value through other comprehensive income	6(3) and 8	33,765,890	27	45,160,394	33
1535	Non-current financial assets at amortised cost, net	6(4) and 8	115,909	-	392,232	-
1550	Investments accounted for under the equity method	6(7) and 7	3,911,876	3	3,478,685	3
1600	Property, plant and equipment, net	6(8) and 8	19,131,777	15	17,402,116	13
1755	Right-of-use assets	6(9) and 8	6,735,166	5	6,776,467	5
1760	Investment property, net	6(10)	2,966,896	2	2,828,899	2
1780	Intangible assets	6(11)	4,668,399	4	4,439,567	3
1840	Deferred income tax assets	6(30)	1,198,512	1	1,417,175	1
1900	Other non-current assets	6(1)(12) and 8	519,828	-	844,870	1
15XX	Total non-current assets		76,285,689	60	87,278,779	64
1XXX	Total assets		\$ 126,603,110	100	\$ 136,612,450	100

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

	Liabilities and Equity	Notes	December 31, 2022		December 31, 2021	
			AMOUNT	%	AMOUNT	%
	Current liabilities					
2100	Short-term borrowings	6(14) and 8	\$ 1,751,344	1	\$ 2,042,697	2
2120	Current financial liabilities at fair value through profit or loss	6(15)	4,144	-	-	-
2130	Current contract liabilities	6(24)	2,199,362	2	1,490,821	1
2150	Notes payable		784,357	1	1,021,039	1
2160	Notes payable - related parties	7	434	-	6,154	-
2170	Accounts payable		9,077,048	7	9,268,228	7
2180	Accounts payable - related parties	7	48,756	-	78,999	-
2200	Other payables	6(16)	5,994,197	5	5,544,765	4
2230	Current income tax liabilities	6(30)	852,683	1	646,719	-
2250	Provisions for liabilities - current		340,961	-	320,207	-
2280	Current lease liabilities		531,318	-	503,953	-
2320	Long-term liabilities, current portion	6(17)(18) and 8	228,159	-	1,491,683	1
2399	Other current liabilities, others		841,157	1	658,746	1
21XX	Total current liabilities		<u>22,653,920</u>	<u>18</u>	<u>23,074,011</u>	<u>17</u>
	Non-current liabilities					
2530	Corporate bonds payable	6(17)	5,000,000	4	5,000,000	4
2540	Long-term borrowings	6(18) and 8	3,427,355	3	3,603,574	2
2550	Provisions for liabilities - non-current		237,477	-	115,391	-
2570	Deferred income tax liabilities	6(30)	2,432,283	2	2,350,403	2
2580	Non-current lease liabilities		4,541,089	4	4,558,141	3
2600	Other non-current liabilities	6(7)(19)	1,992,487	1	2,248,999	2
25XX	Total non-current liabilities		<u>17,630,691</u>	<u>14</u>	<u>17,876,508</u>	<u>13</u>
2XXX	Total liabilities		<u>40,284,611</u>	<u>32</u>	<u>40,950,519</u>	<u>30</u>
	Equity attributable to owners of parent					
	Share capital	6(20)				
3110	Common stock		21,387,966	17	21,387,966	16
	Capital surplus	6(21)				
3200	Capital surplus		9,575,822	7	9,529,520	7
	Retained earnings	6(22)				
3310	Legal reserve		7,899,057	6	7,374,048	5
3320	Special reserve		3,640,779	3	3,640,779	3
3350	Unappropriated retained earnings		19,680,601	16	19,712,565	14
	Other equity interest	6(23)				
3400	Other equity interest		18,352,419	14	28,080,595	20
3500	Treasury stocks	6(20)	(511,710)	-	(511,710)	-
31XX	Equity attributable to owners of the parent		<u>80,024,934</u>	<u>63</u>	<u>89,213,763</u>	<u>65</u>
36XX	Non-controlling interest	6(34)	<u>6,293,565</u>	<u>5</u>	<u>6,448,168</u>	<u>5</u>
3XXX	Total equity		<u>86,318,499</u>	<u>68</u>	<u>95,661,931</u>	<u>70</u>
	Significant contingent liabilities and unrecognized contract commitments	9				
	Significant events after the balance sheet date	11				
3X2X	Total liabilities and equity		<u>\$ 126,603,110</u>	<u>100</u>	<u>\$ 136,612,450</u>	<u>100</u>

The accompanying notes are an integral part of these consolidated financial statements.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
4000 Sales revenue	6(9)(10)(24) and 7	\$ 58,315,216	100	\$ 51,248,387	100
5000 Operating costs	6(6)(8)(9)(19)(29)				
	and 7	(45,129,917)	(77)	(39,812,612)	(78)
5900 Net operating margin		13,185,299	23	11,435,775	22
5910 Unrealized (loss) profit from sales		(9,351)	-	(8,354)	-
5920 Realized profit from sales		8,354	-	9,518	-
5950 Net operating margin		13,184,302	23	11,436,939	22
Operating expenses	6(8)(9)(19)(29)				
6100 Selling expenses		(4,412,306)	(8)	(4,028,985)	(8)
6200 General and administrative expenses		(2,496,464)	(4)	(2,529,546)	(5)
6300 Research and development expenses		(1,144,263)	(2)	(1,112,911)	(2)
6450 Expected credit impairment losses	12(2)	(57,615)	-	(4,779)	-
6000 Total operating expenses		(8,110,648)	(14)	(7,676,221)	(15)
6900 Operating profit		5,073,654	9	3,760,718	7
Non-operating income and expenses					
7100 Interest income	6(4)(25)	233,077	-	127,351	-
7010 Other income	6(3)(10)(26) and 7	1,544,357	3	1,421,682	3
7020 Other gains and losses	6(2)(9)(13)(15)(27)	(1,415,579)	(3)	849,898	2
7050 Finance costs	6(9)(28)	(203,963)	-	(203,602)	-
7060 Share of profit of associates and joint ventures accounted for under the equity method	6(7)	190,279	-	195,831	-
7000 Total non-operating income and expenses		348,171	-	2,391,160	5
7900 Profit before income tax		5,421,825	9	6,151,878	12
7950 Income tax expense	6(30)	(1,429,815)	(2)	(649,687)	(1)
8200 Profit for the period		\$ 3,992,010	7	\$ 5,502,191	11

(Continued)

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars, except earnings per share)

Items	Notes	Year ended December 31			
		2022		2021	
		AMOUNT	%	AMOUNT	%
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss					
8311 Other comprehensive loss, before tax, actuarial losses on defined benefit plans		\$ 94,741	- (\$	27,172)	-
8316 Unrealized losses and gains on valuation of investments measured at fair value through other comprehensive income	6(3)	(11,822,766)	(20)	22,629,456	44
8320 Share of other comprehensive (loss) income of associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss		(12,277)	- (	6,876)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	6(30)	(2,982)	- (	84,107)	-
8310 Components of other comprehensive income that will not be reclassified to profit or loss		(11,743,284)	(20)	22,511,301	44
Other comprehensive income that will be reclassified to profit or loss					
8361 Currency translation differences of foreign operations	6(23)	1,916,975	3 (	1,159,131)	(2)
8399 Income tax relating to the components of other comprehensive income that will be reclassified to profit or loss	6(30)	(311,456)	(1)	122,289	-
8360 Components of other comprehensive income that will be reclassified to profit or loss		1,605,519	2 (	1,036,842)	(2)
8300 Other comprehensive (loss) income for the period		(\$ 10,137,765)	(18)	\$ 21,474,459	42
8500 Total comprehensive (loss) income for the period		(\$ 6,145,755)	(11)	\$ 26,976,650	53
Profit attributable to:					
8610 Owners of the parent		\$ 3,457,667	6	\$ 5,013,134	10
8620 Non-controlling interest		534,343	1	489,057	1
		<u>\$ 3,992,010</u>	<u>7</u>	<u>\$ 5,502,191</u>	<u>11</u>
Comprehensive (loss) income attributable to:					
8710 Owners of the parent		(\$ 6,347,756)	(11)	\$ 25,981,519	51
8720 Non-controlling interest		202,001	-	995,131	2
		<u>(\$ 6,145,755)</u>	<u>(11)</u>	<u>\$ 26,976,650</u>	<u>53</u>
Earnings per share (in dollars)	6(31)				
9750 Basic earnings per share		\$	1.64	\$	2.38
9850 Diluted earnings per share		\$	1.64	\$	2.38

The accompanying notes are an integral part of these consolidated financial statements.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

Equity attributable to owners of the parent												
		Retained Earnings				Other equity interest						
	Notes	Share capital - common stock	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Financial statements translation differences of foreign operations	Total Unrealised gains (losses) from financial assets measured at fair value through other comprehensive income	Treasury stocks	Total	Non-controlling interest	Total equity
For the six-month period ended June 30, 2016												
Balance at January 1, 2022		\$ 19,676,929	\$ 7,386,902	\$ 7,024,635	\$ 3,640,779	\$ 17,271,503	(\$ 3,017,676)	\$ 10,356,934	(\$ 511,710)	\$ 61,828,296	\$ 5,796,937	\$ 67,625,233
Profit for the year		-	-	-	-	5,013,134	-	-	-	5,013,134	489,057	5,502,191
Other comprehensive (loss) income for the year	6(23)	-	-	-	-	(33,085)	(1,025,349)	22,026,819	-	20,968,385	506,074	21,474,459
Total comprehensive income		-	-	-	-	4,980,049	(1,025,349)	22,026,819	-	25,981,519	995,131	26,976,650
Appropriation of 2020 earnings	6(22)											
Legal reserve		-	-	349,413	-	(349,413)	-	-	-	-	-	-
Cash dividends		-	-	-	-	(2,459,616)	-	-	-	(2,459,616)	-	(2,459,616)
Common shares issued for share conversion	6(20)	1,711,037	2,097,884	-	-	-	-	-	-	3,808,921	-	3,808,921
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	36,127	-	-	12,482	-	(12,482)	-	36,127	-	36,127
Transactions with non-controlling interest		-	8,607	-	-	-	-	-	-	8,607	(8,607)	-
Changes in other non-controlling interest		-	-	-	-	-	-	-	-	-	(335,293)	(335,293)
Disposal of investments in equity instruments at fair value through other comprehensive income	6(3)(23)	-	-	-	-	272,075	-	(272,075)	-	-	-	-
Effect of changes in decrease in entities of associates		-	-	-	-	(14,515)	9,909	14,515	-	9,909	-	9,909
Balance at December 31, 2021		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763	\$ 6,448,168	\$ 95,661,931
For the year ended December 31, 2022												
Balance at January 1, 2022		\$ 21,387,966	\$ 9,529,520	\$ 7,374,048	\$ 3,640,779	\$ 19,712,565	(\$ 4,033,116)	\$ 32,113,711	(\$ 511,710)	\$ 89,213,763	\$ 6,448,168	\$ 95,661,931
Profit for the year		-	-	-	-	3,457,667	-	-	-	3,457,667	534,343	3,992,010
Other comprehensive income (loss) for the year	6(23)	-	-	-	-	66,771	1,579,665	(11,451,859)	-	(9,805,423)	(332,342)	(10,137,765)
Total comprehensive (loss) income		-	-	-	-	3,524,438	1,579,665	(11,451,859)	-	(6,347,756)	202,001	(6,145,755)
Appropriations of 2021 earnings	6(22)											
Legal reserve		-	-	525,009	-	(525,009)	-	-	-	-	-	-
Cash dividends declared		-	-	-	-	(2,887,375)	-	-	-	(2,887,375)	-	(2,887,375)
Effect of changes in net equity of associates and joint ventures accounted for under the equity method		-	50,247	-	-	-	-	-	-	50,247	-	50,247
Transactions with non-controlling interest	4(3)	-	(3,945)	-	-	-	-	-	-	(3,945)	3,945	-
Changes in other non-controlling equity		-	-	-	-	-	-	-	-	-	(360,549)	(360,549)
Disposal of investments in equity instrument at fair value through other comprehensive income	6(3)(23)	-	-	-	-	(144,018)	-	144,018	-	-	-	-
Balance at December 31, 2022		\$ 21,387,966	\$ 9,575,822	\$ 7,899,057	\$ 3,640,779	\$ 19,680,601	(\$ 2,453,451)	\$ 20,805,870	(\$ 511,710)	\$ 80,024,934	\$ 6,293,565	\$ 86,318,499

The accompanying notes are an integral part of these consolidated financial statements.

TECO ELECTRIC & MACHINERY CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
(Expressed in thousands of New Taiwan dollars)

		Year ended December 31		
		Notes	<div>2022</div>	<div>2021</div>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax			\$ 5,421,825	\$ 6,151,878
Adjustments				
Adjustments to reconcile profit (loss)				
Net loss (gain) on financial assets at fair value through profit or loss	6(2)(27)		1,131,130	(1,643,837)
Net loss on financial liabilities at fair value through profit or loss	6(15)(27)		17,381	2,638
Provision for decline in value of inventories	6(6)		117,060	177,816
Expected credit impairment losses (gains)	12(2)		57,615	4,779
Interest income	6(25)	(233,077)	(127,351)	
Dividend income	6(26)	(1,128,492)	(884,153)	
Interest expense	6(28)		203,963	203,602
Depreciation and amortization	6(8)(9)(10)(29)		1,803,446	1,802,195
Loss on disposal of investments	6(27)		-	3,097
Gain on disposal of property, plant and equipment	6(27)		4,241	2,387
Impairment loss	6(8)(13)(27)		-	367,190
Share of profit of associates and joint ventures accounted for under the equity method	6(7)	(190,279)	(195,831)	
Changes in operating assets and liabilities				
Changes in operating assets				
Current contract assets			3,028	(866,890)
Notes receivable		(39,367)		175,504
Notes receivable - related parties			782	8,063
Accounts receivable		(220,887)	(1,048,247)	
Accounts receivable - related parties			21,792	(49,738)
Other receivables			93,972	(137,928)
Other receivables - related parties			31,634	(46,101)
Inventories		(760,249)	(2,802,666)	
Prepayments			19,393	(145,336)
Other current assets			163,662	73,340
Current financial assets at fair value through profit or loss			124,559	557,742
Changes in operating liabilities				
Current contract liabilities			708,541	(3,110)
Notes payable		(236,682)		680,367
Notes payable - related parties		(5,720)	(48,894)	
Accounts payable		(191,180)		1,758,360
Accounts payable - related parties		(30,243)	(34,056)	
Other payables			476,149	707,037
Provisions for liabilities			142,840	(103,690)
Other current liabilities			182,410	(65,646)
Other non-current liabilities		(316,127)		219,223
Cash inflow generated from operations			7,373,120	4,691,744
Interest received	6(25)		233,077	127,351
Dividend received			138,348	87,747
Interest paid		(129,170)	(133,202)	
Income tax paid		(1,237,746)	(696,332)	
Net cash flows from operating activities			6,377,629	4,077,308

(Continued)

CASH FLOWS FROM INVESTING ACTIVITIES

Decrease in current financial assets at fair value through profit or loss		\$	72,526	\$	37,945
Increase in current financial assets at fair value through other comprehensive income			-	(	2,446)
Increase in non-current financial assets at fair value through other comprehensive income	6(32)	(	384,617 )	(	143,856)
Proceeds from disposal of current financial assets at fair value through profit or loss	6(2)		2,219,166	(	2,228,000)
Proceeds from disposal of non-current financial assets at fair value through other comprehensive income	6(3)		209,316		757,346
Decrease in non-current financial assets at amortized cost	6(4)		276,323		89,298
Decrease (increase) in pledged and restricted bank and time deposits	6(1) and 8		1,197,085	(	211,646)
Acquisition of property, plant and equipment	6(8)(32)	(	2,904,793 )	(	2,308,743)
Proceeds from disposal of property, plant and equipment			24,409		62,585
Acquisition of intangible assets		(	108,408 )	(	70,416)
Decrease (increase) in restricted due to the legislation on repatriating			361,224	(	191,813)
Increase in other non-current assets		(	36,182 )	(	32,454)
Dividends received from investments of financial instruments			1,128,492		884,153
Increase in investments accounted for under the equity method and capital reduction to recover investment cost		(	319,818 )	(	208,146)
Net cash flows from (used in) investing activities			<u>1,734,723</u>	(	<u>3,566,193)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Decrease in short-term loans	6(33)	(	291,353 )	(	774,135)
Repayment of bonds	6(33)	(	1,000,000)		-
(Decrease) increase in long-term loans	6(33)	(	439,742)		483,525
Lease liabilities paid	6(9)(33)	(	570,981 )	(	538,703)
Cash dividends paid to non-controlling interests		(	404,738 )	(	226,923)
Cash dividends paid	6(22)	(	2,887,375 )	(	2,459,616)
Net cash flows used in financing activities		(	<u>5,594,189 )</u>	(	<u>3,515,852)</u>
Exchange rate effect			<u>1,364,490</u>	(	<u>118,380)</u>
Net increase (decrease) in cash and cash equivalents			3,882,653	(	3,123,117)
Cash and cash equivalents at beginning of year			<u>17,274,143</u>		<u>20,397,260</u>
Cash and cash equivalents at end of year		\$	<u>21,156,796</u>	\$	<u>17,274,143</u>

Attachment 3**TECO Electric & Machinery Co., Ltd.****Distribution of 2022 Profits**

(In NT \$)

Item	Amount
Accumulated undistributed profit as of the beginning of the period	16,300,179,941
Add: Net Profit after tax in 2022	3,457,667,395
Less: Disposal of financial assets at fair value through other comprehensive income.	(144,017,953)
Less: Actuarial Losses	66,771,525
Less : Legal Reserve	(338,042,097)
Total distributable earnings	19,342,558,811
Profit available for distribution for the period:	
Profit-sharing to shareholders	3,208,194,924
(Dividend per share)	1.5
Undistributed profit as of the end of 2021	16,134,363,887
Note :	

Notes:

1. Dividend per share this year is NT\$1.5 and all dividends distributed shall be cash dividend.
2. The profit distributed this period will be distributed from the distributable earnings received in 2022 first, and from the accumulated undistributed profits from previous years where there is a shortfall.
3. Given the same payout ratio, in the event that proposed distribution of earnings is affected by a change in the Company's outstanding common shares, the chairperson is authorized by the Board of Directors to make adjustment to such distribution and other relevant issues at his/her discretion.

TECO Electric & Machinery Co., Ltd.
Comparison between the Revision and the Original of
“Articles of Incorporation”

Proposed Revision	Current Clauses	Note
Article 2 The scope of business of this Company is as follows: 1. C805050 Manufacture of industrial plastic products; (Omitted) 60. IF01010 Inspection and repair of firefighting safety equipment services; <u>61. IG03010 Energy Technical Services;</u> <u>62. E606010 Testing and inspection of electrical equipment services;</u> <u>63. JE01010 Leasing services;</u> <u>64. ZZ99999 Other businesses</u> not prohibited or restricted legally except those with special permit.	Article 2 The scope of business of this Company is as follows: 1. C805050 Manufacture of industrial plastic products; (Omitted) 60. IF01010 Inspection and repair of firefighting safety equipment services; 61. E606010 Testing and inspection of electrical equipment services; 62. JE01010 Leasing services; 63. ZZ99999 Other businesses not prohibited or restricted legally except those with special permit.	1. In order to meet the needs of the Government for future energy-saving business and strengthen the company's ability to compete for energy-saving business, plan to add “Energy Technical Services” related business item. 2. Adjust the serial number of the business item in accordance with the code of the Ministry of Economic Affairs
Article 30 These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-ninth amendment on May 20, 2022. The sixtieth amendment on May 24, 2023. It took effect after the approval of shareholders’ meeting.	Article 30 These Articles of Incorporation was established on 12 April 1956 and subsequently amended as follows: (Omitted) The fifty-ninth amendment on May 20, 2022. It took effect after the approval of shareholders’ meeting.	Add the date and number of times of this amendment.

Attachment 5

Details of removal of the restrictions on non-competition obligation of Board of Directors

Name	Serve concurrently
Tong Ho Global Investment Co., Ltd. Representative: Cheng-Tsung Huang	Chairman of Sen Yeh Construction Co., Ltd. Independent Director of Aurotek Corporation
Yinge Int. Inv. Co., Ltd. Representative: Li-Chong Huang	Director of Ta Hong Machinery Co., Ltd.
Creative Sensor Inc. Representative: Jack Hou	Executive Vice President/ Director of Universal Cement Corporation Director of Sheng Yuan Inv. Co., Ltd. Director of UCC Investment Inc. Director of Li Yong Development Co., Ltd. Director of Kaohsiung Pier Transportation Inc. Director of UNEO Incorporated President/Director of Huanchung Cement International Corporation Director of Darzhen Venture Corporation Director of Lio Ho Machine Works Ltd. Managing Director of Universal Readymixed Concrete Industry Inc. Director of Universal Real Estate Development Company Director of Tainan Ready Mixed Concrete Industrial Inc. Director of Times Square International Holding Company Director of Times Square International Hotel Corporation Director of Prince Housing & Development Corp. Director of CHC Resources Corporation Director of Tainan Spinning Co., Ltd. Director of Nantex Industry Co., Ltd. Director of Grand Bills Finance Corporation
Song-Ren Fang	Chairman of Quantek Inc. Chairman of Darwin System Technology Corporation Chairman of Darwin Venture Management Corporation Chairman of Darhe Venture Corporation Chairman of Darhan Investment Corporation Chairman of Darlung Asset Management Corporation Chairman of Darzhen Venture Corporation Chairman of Darjun Venture Corporation Director of Jhenfutai Investment Corporation Chairman of Darhe II Venture Corporation Chairman of Affluent Asset Management Corporation Director of Linhsin Investment Corporation Director of Leta Investment Corporation Director of Darjun Asset Management Corporation Director of GTM Holding Investment Corporation Independent Director of Sciencetech Corporation Director of Teco Image System Co., Ltd. Director of Macronix International Co., Ltd.